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OUR TARIFF IN ITS RELATION TO THE GRAIN TRADE

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It is customary for writers upon our foreign trade to point out the fact that foodstuffs are the preponderating element, and it is often insisted that we have such an advantage in the production of these articles that they will compel their own market independent of what may be the tariff regulations in force. This is no doubt partially true; indeed, our own experience seems to prove it, but the argument is by no means conclusive that tariff regulations may not aid or hamper the foreign trade in these articles. In fact, quite the contrary is the case.

When we read that the internal commerce of the United States amounted in the year 1906 to \$25,000,000,000 and that our foreign commerce reached almost \$3,000,000,000, of which about \$1,800,000,000 were exports, it carries with it a feeling of satisfaction with our national prosperity. When it is added that under our present tariff system as much as \$1,110,000,000 of these exports are represented by shipments of foodstuffs, as compared to about \$475,000,000 worth of manufactures ready for consumption and \$225,000,000 worth of partially manufactured products, it seems clear to the casual observer that foodstuffs will win their way abroad in any case, and that the chief efforts for promotion of foreign trade should be concentrated on manufactures alone. This mistake is an easy one. The fact that our economic position does allow us to force this amount of foodstuffs upon the foreign market, irrespective of what adverse customs regulations may be enforced against us, by no means proves that a sane policy of conciliation by which these tariff bars might be removed or lowered would not enormously increase our export trade in these lines, much to the profit of that largest class of American "manufacturers"—the farmers—as well as to the advantage of all those whose business or labor is connected with the handling of their products.

Until recently the peerless advantages of the American producer of agricultural products have been such that little attention

has been paid to *developing* a foreign market for them. The insistence of the home demand and the economic need of foreign countries provided in a rough way a ready market for all that was produced. This condition has largely ceased to exist; the change is due to two causes—first, our productive capacity has greatly outrun our home needs, and, secondly, the development of the use of the “maximum and minimum” tariff in foreign countries, especially in the nations of continental Europe, has enabled them to exchange commercial favors with other countries less favored or less developed in the raising of agricultural products. This exchange has resulted in great benefit to the countries concerned and in increased difficulties for the maintenance of the trade of the United States, by placing her in a less favored position in comparison with the countries to which the reciprocity provisions have been extended.

This condition of trade merits the most careful consideration of the people of the United States. The fact that our own and the European developments were bringing about conditions which would necessitate changes in our tariff policy has for almost a decade been patent to many leading American statesmen. They have seen that the problem of increased foreign markets must be faced and that our policy must be a broad one. President McKinley, in his last speech at Buffalo, delivered but a few hours before his assassination, gave voice to this belief as follows: “What we produce beyond our domestic consumption must have a vent abroad. The excess must be relieved through a foreign outlet, and we should sell everywhere we can and buy wherever the buying will enlarge our sales and productions, and thereby make a greater demand for home labor; the period of exclusiveness is past, the expansion of our trade and commerce is the pressing problem.”

This policy of mutual concession on custom regulations which President McKinley advocated in 1901 is all the more imperative in 1907, because of our greatly increased commercial activity and productiveness in both industry and agriculture. If we are to judge what the future will be from our past experience, still another reason may be urged why we should take care to develop a foreign trade. We can hardly expect a permanent continuance of our present surprising national prosperity. We should prepare to meet the possibility of periods of depression. With no important foreign outlets for our surplus products a period of trade stagnation is

rendered more acute by the flooding of the home market with goods for which there is but scant demand. Could we develop, however, close connections with other commercial countries, the market there offered, well acquainted with the virtues of American goods, would furnish an elastic outlet for goods which, on account of peculiar temporary local conditions, could not be marketed at home. Without these intimate trade connections the American exporter who tries to increase his foreign shipments in times of domestic stringency finds himself hampered by the fact that his goods are unknown and therefore mistrusted by the foreign buyer. To avoid such a condition it is increasingly important that in times of prosperity our foreign trade policy should be marked by a spirit of concession such as will encourage mutual dependence and the granting of commercial favors to the advantage of both parties.

Any policy of reciprocity to be of real advantage to either party must be a comprehensive one, such as will insure to each party approximately equal advantages. Further, it must be comprehensive in its application within the country itself, securing advantages equally for the various interests that will be affected by it. Such are the policies which have been adopted by European countries in extending their foreign trade, while the United States has consistently lagged behind with a tariff system inflexible, allowing no special advantages to be granted to one nation in return for equivalent advantages granted to us in some other line. Consequently many opportunities for extending foreign trade which have been open to European countries, and which they have been eager to grasp, have been neglected by us. It is true that in many of the European countries they have been forced to take the action they have taken by local conditions. They have been compelled to look to commerce beyond their own boundaries for much that we have been able to secure at home. Nevertheless, it is true that we are now in a position, and will be increasingly so in the future, when we too shall require an outlet for our products, and it would be foolhardy to continue in our inaction when our rivals are pushing forward to grasp the markets in which we shall ultimately have to compete with them. Trade in the beginning follows the line of least resistance, but once established is hard to divert from its customary course. To delay now, when we have the opportunity to win our share of foreign commerce by granting simply a *quid pro quo*, may

entail great loss in the future, when trade customs have become well established and our rivals control the situation through long familiarity with the peculiar interests to be served.

Possessed of a "maximum and minimum" tariff, a European country has a powerful means of oppression against American trade which it may use at its will. Severe strictures may be placed upon our commerce, and, lacking reciprocity arrangements, we have nothing to offer in return for their removal. The only course open to us is to submit to the adverse laws or to engage in retaliatory legislation. Both these solutions are no solutions. To refer again to President McKinley's last address. He says:

"Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times, measures of retaliation are not. If perchance some of our tariffs are no longer needed for revenue nor to protect our interests at home, why should they not be employed to extend and promote our markets abroad?" In spite of this fact, however, the United States continues to be the only one of the important commercial countries which rigidly maintains its one standard tariff regulations, thus regularly exposing itself to the danger of retaliatory legislation and preventing the reaping of the mutual advantages possible of attainment by the adoption of reciprocity treaties.

Let us illustrate the effect of such a system in a single instance. In the fall of 1905, the demand for American foodstuffs in Germany suddenly increased, exceeding anything previously recorded, as is shown by the accompanying table. (See page 92.)

This table shows not only a remarkable contrast between the imports of American grain in 1904 and 1905, but it will be noticed that the increase is especially great in December. This increase is typical of the movement during the autumn in general. The shipments of corn in this month in 1905 were more than three times those of the same month for 1904, and almost equal to one-half of the entire shipment for 1904. In 1904 no shipments were recorded of oats or wheat in December, but in 1905 the amounts reached 1,638,139 and 600,304 bushels, respectively. Even in the shipment of wheat flour, which for the year as a whole showed a loss, there was a remarkable increase for the autumn months.

There seemed to be every reason to look for a continuance of

Exports of Foodstuffs to Germany.

[Adapted from Monthly Summary of Commerce and Finance of the United States, December, 1905, p. 2027 et seq.]

	DECEMBER.				TWELVE MONTHS ENDING DECEMBER.			
	1904.		1905.		1904.		1905.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Corn, bushels . . .	1,241,792	\$666,620	4,362,648	\$2,260,466	8,818,815	\$4,783,543	22,681,459	\$12,164,347
Oats, bushels . . .	No shipment recorded.		1,638,139	591,554	19,944	6,800	5,357,606	1,854,307
Wheat, bushels .	No shipment recorded.		600,304	523,620	1,590,556	1,302,290	2,578,780	2,200,452
Wheat Flour, barrels	1,139	4,904	28,353	116,626	241,514	1,021,405	142,271	631,347

This does not, of course, include amounts of grain reshipped to Germany but first purchased in Belgium, Netherlands, etc.

this promising trade, but the agrarian interests at once became alarmed and got a law passed through the Reichstag raising the duty on foreign grains (wheat, maize, oats and rye), to take effect on the 1st of March, 1906. The increase, as everyone knows, was enormous. The rates, of course, would apparently affect all foreign grains, and the United States would suffer only as all other grain exporting countries would, and would therefore have no cause to complain. But here became evident the disadvantage of the United States due to the fact that it had no reciprocity treaty. Germany's tariff system is planned on the dual basis—a maximum and minimum tariff—and the maximum rates were threatened on American grain if the negotiations for a reciprocal tariff treaty should fail. The difference between the maximum and minimum rates in Germany is very large, and there is absolutely no hope of competing with any country that enjoys the minimum rates if the United States has to pay the maximum rates, because it is hardly conceivable that the wants of Germany cannot be entirely filled by any country enjoying the minimum rates. We would certainly be excluded by such cheaper grain, and the lack of a large customer like Germany would tend to depress values in America. To bring clearly to view the disadvantage under which the United States would be forced to do business under the tariff noted above, we give here the figures of that law as applied to grain. In the table the first column gives the general or autonomous tariff rate—the one which would be enforced against United States products—and the second column the rates enforced against the products of those

*Duties on Grain Imported into Germany Under the Tariff of
March 1, 1906.*

Duties per 100 kilos (220.46 lbs.).	AUTONOMOUS OR GENERAL.		TREATY.		FORMER TARIFF.	
	Marks.	Dollars	Marks.	Dollars.	Marks.	Dollars.
Rye.....	7.00	1.67	5.00	1.19	3.50	.83½
Wheat.....	7.50	1.78	5.50	1.31	3.50	.83½
Barley.....	7.00	1.67	2.00	.48
Malt barley.....	7.00	1.67	4.00	.95	3.60	.86
Oats.....	7.00	1.67	5.00	1.19	2.80	.67
Buckwheat.....	5.00	1.19	2.00	.48
Corn.....	5.00	1.19	3.00	.71	1.60	.38

countries with which Germany has commercial treaties. At the *right* we give the rate formerly paid under the old German tariff.

This table is eloquent of the disadvantage under which the United States exporter would have to work due to the lack of reciprocity arrangements. When the barley and buckwheat of other countries can reach the German market free of duty, it is, of course, impossible for the American products to stand the competition when they are subject to the duty of \$1.67 and \$1.19 per 220 pounds, respectively. The discrimination amounts to a prohibition of import. Though the difference in rate is not so great in the other grains, it is practically of the same effect. When our rye, corn and wheat must pay approximately thirteen cents and our oats approximately six cents per bushel more for entry into German ports than is paid by Swedish, Austrian and Russian grain of like character, the German ports may be counted out of existence as far as the American grain trade is concerned.

The destruction of the American grain export to Germany was fortunately averted for the time being by an agreement entered into just two days before this obnoxious tariff was to go into effect. By the act of February 26, 1906, Germany granted to the United States until June 30, 1907, the tariff privileges which were accorded by reciprocity treaties to Austria-Hungary, Belgium, Italy, Roumania, Russia, Servia, Switzerland and Sweden, among the countries of Europe. It will be noticed that this list includes all the important grain-producing countries of the continent. Similar reciprocity arrangements were in force with Australia and the Argentine. It thus becomes clear that had Germany not been willing to grant us the favor of treatment on the same terms as countries with which she had reciprocity treaties, we would have been shut out of her grain market to the advantage of all the other grain-producing nations of the world. And there are good reasons to believe that unless we are willing to make substantial concessions Germany will refuse to extend the agreement beyond the present limits.

This is the situation of our grain trade with Germany to-day. We are "tenants at will" in the privilege of being treated as other nations are. Other nations have secured the advantages they enjoy through an intelligent presentation of mutual concessions. Our own stiff-backed policy has carried us into a position where our obstinacy may be the cause of doing us substantial damage, the

results of which may be hard to repair. Let us glance for a moment at the list of our confrères in this pennywise policy of not coming to a reasonable trade agreement with the German Empire. In the list we find among European countries only Montenegro and Portugal. Among American countries we join hands in this respect with Peru, Venezuela and Hayti. Mexico, the Argentine and even our Central American neighbors, though their foreign trade is insignificant in comparison to our own, have been more active and possess tariff treaties securing advantages similar to those Germany stands ready to offer to us.

This dispute with Germany presents our problem in an acute form, it is a case in which a solution *must* be arrived at before July 1 of the present year if the American exporter is to enjoy a German market. Fortunately, the chances of success in making some arrangement are good at the present writing. A broad reciprocal arrangement will, we trust, be worked out. Such would be in the interests of both countries and would be an advantage in the United States in a very real way to the widespread grain interests of the West, to the grain trade, technically speaking, to the transportation interests; in short, to every person whose well being is connected with the prosperity of the classes producing agricultural foodstuffs.

I have endeavored to show of how great an importance such a reciprocity treaty would be to the grain trade of this country. I fail to see how anything else but the enmity of those who enjoy the unnatural protection of our high tariff could frustrate any arrangement that is so manifestly necessary to keep the wheels of commerce moving and of such wide importance to the population of the United States. Every farmer producing and every merchant dealing in grain east and west of the Mississippi River, north and south of the Mason and Dixon Line, will have to suffer if the selfish manufacturers of the North succeed in keeping the doors closed to importations of German goods and frustrate thereby amicable arrangements which will lead to a reasonable basis of reciprocity.

We have considered but one branch of the advantages to be gained by reciprocity treaties, the grain trade, and the effect of such an agreement in a single country—Germany. The illustration is, however, not an isolated one. The way a rigid tariff affects the grain trade is symptomatic of its effects on the live stock market, and even on many of the very branches of manufacture whose

welfare is the chief reason for the existence of a tariff. The time has come when we must realize that not everything can be sacrificed in our commercial policy to a single set of interests, however important those interests may be. Protection to one group of industries may, if too strictly applied, result in oppression of another group through legislative action abroad amounting to restriction of markets. The tariff was originated to create a market for home manufactures, and it was successful in its object, but it must not be allowed to now *restrict* our markets for other home products which have quite as good a claim upon national protection. There must be a balancing of accounts.